



Commercial Cannabis Local/Social Equity Workshop

June 15, 2021



Introduction

- Presenters and Moderator
 - Megan Gamwell, Economic Development Specialist
 - Charles Bell Jr., City Attorney
 - Eric Casher, Principal, Myers Nave
- Workshop Overview
 - Workshop Guidelines
 - Presentation
 - Breakout Rooms
 - Report on Community Discussions and Community Input
 - Council Direction/Comments

Workshop Guidelines





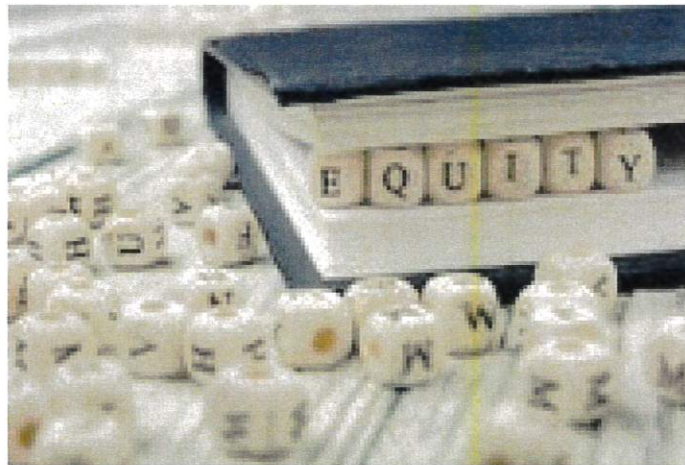


What is Equity?

- The term “equity” recognizes that because different individuals or groups have different histories and circumstances, they have different needs and unequal starting points.
- Using an equity approach, individuals and groups receive different resources, opportunities, support, or treatment based on their specific needs.
- By providing what each individual or group needs, they can have equitable or fair outcomes.

What is Cannabis Social Equity?

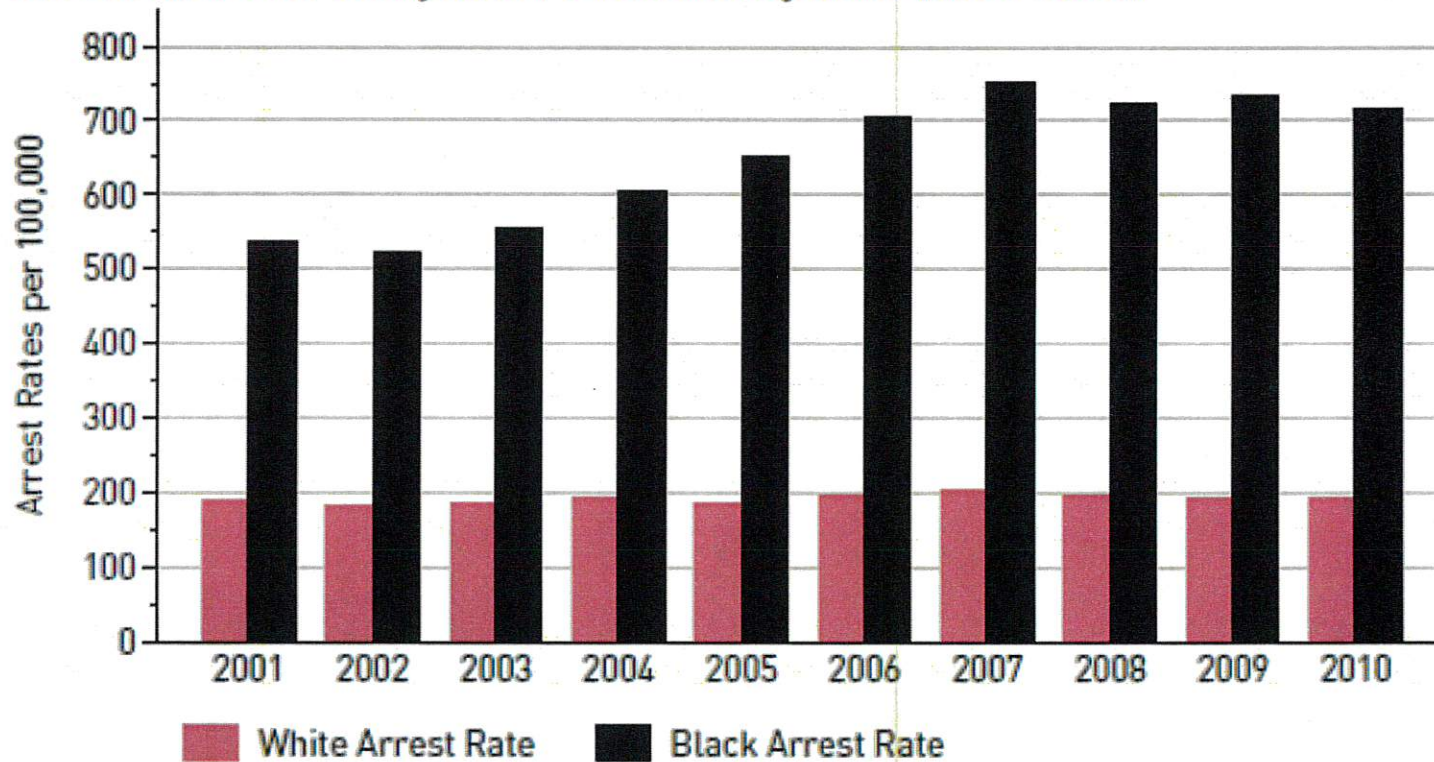
- Therefore, Cannabis Social Equity is distinct from other types of equity by its focus and intentionality in understanding the specific systemic barriers and injustices different individuals or groups face when trying to access opportunity in the cannabis marketplace.





Impact of Federal and State Cannabis Policies on Minority Communities

Arrest Rates for Marijuana Possession by Race (2001-2010)



Source: FBI/Uniform Crime Reporting Program Data and U.S. Census Data



What is the Goal of Cannabis Social Equity?

The goal of Cannabis Social Equity is to recognize the disproportionate impact that cannabis enforcement policies have had on minority communities.





Implementing Cannabis Social Equity

- Cannabis Equity Programs
- Cannabis Equity Ordinances
- Negotiating Cannabis Local and Social Equity Interests by way of Development Agreements



Cannabis Equity Grants Program

- The California Cannabis Equity Act
- The California Bureau of Cannabis Control (BCC) entered into an interagency agreement with the Governor's Office of Business and Economic Development (GO-Biz) to administer the Cannabis Equity Grants Program
- The Cannabis Equity Grants Program assists local jurisdictions to aid local equity program efforts to support equity applicants and equity licensees.



Cannabis Equity Grants Program

California Business and Professions Code
Section 26240 defines “Eligible Local
Jurisdiction” as follows:

“a local jurisdiction that demonstrates
an intent to develop a local program or
that has adopted or operates a local
equity program.”



Cannabis Equity Grants Program

California Business and Professions Code Section 26240(e) defines “Local equity program” as follows:

“a program adopted or operated by a local jurisdiction that focuses on inclusion and support of individuals and communities in California’s cannabis industry who are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization as evidenced by the local jurisdiction’s equity assessment.”



Cannabis Equity Grants Program

Local equity programs may include, but are not limited to, the following types of services:

- (1) Small business support services offering technical assistance or professional and mentorship services to those persons from economically disadvantaged communities that experience high rates of poverty or communities most harmed by cannabis prohibition, determined by historically high rates of arrests or convictions for cannabis law violations.
- (2) Tiered fees or fee waivers for cannabis-related permits and licenses.
- (3) Assistance in paying state regulatory and licensing fees.
- (4) Assistance securing business locations prior to or during the application process.



Cannabis Equity Grants Program

- (5) Assistance securing capital investments or direct access to capital.
- (6) Assistance with regulatory compliance.
- (7) Assistance in recruitment, training, and retention of a qualified and diverse workforce, including transitional workers.
- (8) Other services deemed by the bureau to be consistent with the intent of this chapter.



Cannabis Equity Grants Program

- Provides Funding Assistance for Cannabis Equity Assessment/Program Development

OR

- Provides Funding Assistance for Cannabis Equity Program Applicants and Licensees



Cannabis Equity Grants Program

California Business and Professions Code Section 26244(a)(1) states:

“An eligible local jurisdiction may, in the form and manner prescribed by the bureau, submit an application to the bureau for a grant to assist with the development of an equity program or to assist local equity applicants and local equity licensees through that local jurisdiction’s equity program.”



Cannabis Equity Grants Program

Fiscal Year 18-19: \$10,000,000

Fiscal Year 19-20: \$30,000,000

Fiscal Year 20-21: \$15,000,000

Total: \$55,000,000



California Equity Grants (FY 20-21)

Type 1 Recipients

- City of Escondido
- City of Isleton
- City of Modesto
- City of Richmond
- City of San Diego
- County of San Diego
- County of Sonoma
- County of Trinity

Type 2 Recipients

- City of Oakland
- City of San Francisco
- City of Los Angeles
- City of Long Beach
- City of Fresno
- City of Palm Springs
- County of Humboldt
- County of Lake
- County of Modesto



Local Equity Program Benefits

Business Ownership Benefits

- Application fee waivers
- Direct grants/loans
- Technical assistance
- Exclusive/priority access to certain license types

Community Benefits

- Community reinvestment
- Employment opportunities
- Expungement clinics



Cannabis Equity Ordinance

California Business and Professions Code Section 26246(b) provides the following:

On or before July 1, 2019, publish local equity ordinances that have been enacted by the legislative body of the respective local jurisdiction, and model local equity ordinances created by advocacy groups and experts to the bureau's internet website. Advocacy groups and experts may include, but are not limited to, minority business owners and entrepreneurs, organizations with expertise in addressing barriers to employment and licensure for low-income communities or persons with prior arrests or convictions, and unions representing cannabis workers.



Model Social Equity Ordinances

Minority Cannabis Business Association



Provides ten (10) Model Social Equity Ordinances

<https://cannabis.ca.gov/wp-content/uploads/sites/13/2019/07/MCBAs-Ten-Model-Municipal-Social-Equity-Ordinances.pdf>



Disadvantages of Equity Grant Programs and Social Equity Ordinances

Predatory practices

Manipulation of eligibility criteria

Sunk costs for equity applicants

Barriers to entry into cannabis market

- Capital intensive market
- Intense competition to secure a finite number of licenses
- Limited availability of properties



Commercial Cannabis Business Ordinance

- No cannabis business may operate without, among other things, obtaining a valid commercial cannabis business permit issued by the City
 - City can establish procedures to evaluate applications for these regulatory permits
- In order to obtain a commercial cannabis business permit, a business must also enter into a development agreement with the City
 - A cannabis development agreement does not confer vested rights

Development Agreement

- The Development Agreement sets forth the terms and conditions for the business to operate
- The terms are in addition to any requirements contained in the ordinance
- Provides a vehicle for the City and business to mutually agree to terms that the City could not unilaterally impose as a condition of the regulatory permit





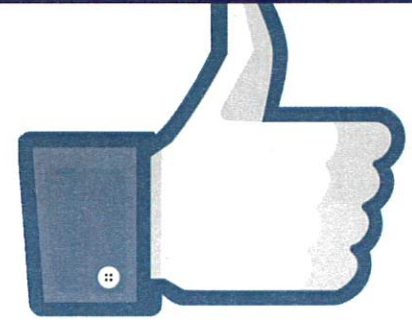
Content of Development Agreement

- Ordinance states that the Development Agreement will address:
 - Community benefits such as public outreach and education;
 - Community service, payment of fees and other charges as mutually agreed; and
 - Other terms and conditions that will protect and promote the public health, safety and welfare
- Can also include terms to address Social/Local Equity



Benefits of Development Agreement

- Clearly memorializes the terms and conditions of the operations of a cannabis business
- Business and City can mutually agree to terms that the City could not unilaterally impose
- Provides opportunity for City to change operating requirements without amending the ordinance
- Enforcement possible through contract law





Disadvantages to Development Agreement

- Potentially redundant to the application process
- If not redundant, negotiating development agreements with the businesses chosen to receive regulatory permits may delay opening of business
- Enforcing the terms of a development agreement involves the same challenges as enforcing Municipal Code or conditional use permits





Community Input

Community Engagement is key to successfully developing Cannabis Equity Programs, Equity Ordinances, and negotiating Social/Local Equity interests in Development Agreements



Breakout Rooms

1. Economic Empowerment
2. Community Reinvestment
3. Restorative Justice
4. Education and Research

Instructions for Breakout Rooms



Report on Community Discussions and Community Input





City Council Comments/Direction